Environmental Due Diligence

Apr.2025

The Ryohin Keikaku Group is committed to identifying, assessing, and preventing or mitigating negative environmental impacts across our entire supply chain, in alignment with the Ryohin Keikaku Group Environmental Policy. We have established a framework for environmental due diligence and developed a roadmap through 2030 to guide our efforts. This roadmap includes: (1) conducting risk assessments across the value chains of our core businesses, (2) evaluating the risks associated with our most critical raw materials, and (3) an assessment of the "Locate" and "Evaluate" phases for cotton, based on the LEAP approach developed by the Taskforce on Nature-related Financial Disclosures (TNFD).

1) Risk Assessment Across the Value Chains of Core Businesses

We assessed how our three core businesses—Apparel & Household Goods, and Food—depend on and impact on nature across their respective value chains, using the ENCORE tool. The results indicated that all three businesses share significant dependence on and impact on nature during the procurement of plant-based raw materials. For our Household goods business in particular, the value chains of plastic products, paper and wood products, and metal/electronic products showed notable impacts on climate change and water resources.

- Evaluation Results of our Apparel Value Chain

VH: Very High | H: High | M: Medium | L: Low | VL: Very Low

#	Process	Raw Materials	Production/Manufacturing Process (ENCORE Classification)	Influences														Dependencies																											
				Disturbance (e.g., noise, light pollution)	Use of Freshwater Systems	Climate Change	Use of Marine Systems	Air Pollution	Direct Extraction	Soil Pollution	Solid Waste	Land Conversion	Water Pollution	Water Resources	Invasive Species	Annual Resources	Bioremediation	Buffering/Attenuation of Material Flows	Climate Regulation	Dilution by Air and Ecosystems	Disease Regulation	Fibers and Other Materials	Filtration	Flood and Storm Protection	Genetic Materials	Groundwater	Maintenance of Nursery habits	Soil Stabilization and Erosion Control	Mediation of Sensory Impacts	Pest Control	Pollination	Soil Quality	Surface Water	Ventilation	Flow Regulation	Water Quality
Upstream																																											
1	Raw Material Procurement	Plant-based	Small-scale Irrigated Agriculture	-	H	-	-	-	-	M	-	VH	H	H	-	VH	M	H	VH	M	VH	M	M	VH	M	VH	-	VH	-	VH	VH	VH	VH	L	VH	VH
2			Small-scale Rainfed Agriculture	-	-	-	-	-	-	M	-	VH	M	-	L	VH	M	H	VH	M	VH	M	M	VH	M	-	-	VH	-	VH	VH	VH	M	L	VH	VL
3			Large-scale Irrigated Agriculture	-	VH	-	-	-	-	H	-	VH	H	VH	-	VL	M	H	H	M	H	M	M	VH	M	VH	-	VH	-	H	H	H	H	L	H	H
4			Large-scale Rainfed Agriculture	-	-	-	-	-	-	H	-	VH	H	-	L	VL	M	H	H	M	H	M	M	VH	M	-	-	VH	-	H	H	H	M	L	H	VL
5		Natural Fiber	Natural Fiber Manufacturing	-	-	-	-	H	-	M	M	H	H	VH	-	-	L	-	-	L	-	M	L	M	-	VH	-	L	-	-	-	-	VH	-	M	L
6		Chemical Fiber	Chemical Fiber Manufacturing	-	-	-	-	H	-	M	H	-	H	H	-	-	L	-	-	L	-	M	L	M	-	VH	-	VL	-	-	-	-	VH	-	M	L
7	Production	Natural Fiber	Natural Fiber Manufacturing	-	-	-	-	H	-	M	M	H	H	VH	-	-	L	-	-	L	-	M	L	M	-	VH	-	L	-	-	-	-	VH	-	M	L
8		Chemical Fiber	Chemical Fiber Manufacturing	-	-	-	-	H	-	M	H	-	H	H	-	-	L	-	-	L	-	M	L	M	-	VH	-	VL	-	-	-	-	VH	-	M	L
9			Footwear Manufacturing	-	-	-	-	H	-	M	M	-	M	H	-	-	L	-	-	L	-	-	L	M	-	-	-	L	-	-	-	-	-	-	M	L
10	Logistics	-	Logistics	H	-	VH	M	H	-	L	-	-	L	-	H	-	-	-	H	-	-	-	-	M	-	-	-	M	-	-	-	-	-	-	-	-
Direct Operation																																										
11	Sales	-	Infrastructure Maintenance	-	-	-	-	M	-	H	M	-	H	H	-	-	VL	-	-	-	-	-	-	-	-	-	-	-	L	-	-	-	-	-	-	-	-

- Evaluation Results of our Household Goods Value Chain

VH: Very High | H: High | M: Medium | L: Low | VL: Very Low

#	Process	Raw Materials	Production/Manufacturing Process (ENCORE Classification)	Influences												Dependencies																				
				Disturbance (e.g. noise, light pollution)	Use of Freshwater Systems	Climate Change	Use of Marine Systems	Air Pollution	Direct Extraction	Soil Pollution	Solid Waste	Land Conversion	Water Pollution	Water Resources	Invasive Species	Animal Resources	Bioremediation	Buffering/Attenuation of Material Flows	Climate Regulation	Dilution by Air and Ecosystems	Disease Regulation	Fibers and Other Materials	Filtration	Flood and Storm Protection	Genetic Materials	Groundwater	Maintenance of Nursery habitats	Soil Stabilization and Erosion Control	Mediation of Sensory Impacts	Pest Control	Pollination	Soil Quality	Surface Water	Ventilation	Flow Regulation	Water Quality
Upstream																																				
24	Raw Material Procurement	Plant-based	Small-scale Forestry	-	-	VH	-	-	-	M	-	VH	H	-	-	VH	M	-	VH	-	VH	VH	VL	M	-	VH	-	VH	-	VH	H	H	VH	-	VH	-
25			Large-scale Forestry	-	-	VH	-	-	-	-	-	VH	H	-	-	VL	M	-	VH	-	H	VH	VL	VH	-	VH	-	VH	-	H	H	H	VH	-	H	-
26		Petroleum-based	Chemical Processing	-	-	-	-	M	-	H	-	H	H	VH	-	-	-	-	-	-	-	-	-	-	-	L	-	L	L	-	-	-	L	-	-	-
27		Metal-based	Mining	H	H	VH	-	H	-	H	H	VH	H	VH	M	-	-	-	H	-	-	-	-	-	-	H	-	M	-	-	-	-	H	-	H	-
28			Ironmaking	H	-	VH	-	H	-	-	-	VH	-	VH	-	-	-	-	M	-	-	-	-	-	-	H	-	M	-	-	-	-	H	-	M	-
29			Ferrous Metal Manufacturing	H	-	VH	-	H	-	-	H	-	M	VH	-	-	-	-	VL	-	-	-	-	-	-	M	-	VL	-	-	-	-	M	-	M	-
30	Production	Household Goods, etc.	Household Goods, etc.	-	-	-	-	H	-	M	M	-	M	VH	-	-	-	-	-	L	-	-	-	-	-	M	-	-	-	-	-	-	M	-	-	-
31			Equipment Manufacturing	M	-	VH	-	M	-	H	H	-	H	H	-	-	-	-	VL	L	-	-	VL	M	-	M	-	VL	M	-	-	-	M	VL	M	L
32			Metal Processing	-	-	VH	-	M	-	M	H	-	M	H	-	-	L	-	VL	L	-	-	L	M	-	M	-	VL	L	-	-	-	M	VL	M	L
33			Logistics	-	-	-	-	M	-	H	-	-	H	VH	-	-	L	-	-	L	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34			Paper Products Manufacturing	-	-	-	-	M	-	H	-	-	H	VH	-	-	-	-	VL	-	-	M	-	-	-	VH	-	-	-	-	-	-	VH	-	M	-
35		Wood Goods Manufacturing	Wood Goods Manufacturing	-	-	VH	-	-	-	H	-	H	H	-	-	-	-	-	-	-	-	-	-	M	-	H	-	L	-	-	-	-	VH	-	M	-
36			Electronic Devices	M	-	-	-	-	-	H	M	-	H	-	-	-	-	-	-	L	-	-	-	-	-	M	-	-	-	-	-	-	M	-	-	-
37	Logistics	-	Logistics	H	-	VH	M	H	-	L	-	-	L	-	H	-	-	-	H	-	-	-	-	M	-	-	-	M	-	-	-	-	-	-	-	-
Direct Operations																																				
38	Sales	-	Infrastructure Maintenance	-	-	-	-	M	-	H	M	-	H	H	-	-	VL	-	-	-	-	-	-	-	-	-	-	L	-	-	-	-	-	-	-	-

- Evaluation Results of our Food Value Chain

VH: Very High | H: High | M: Medium | L: Low | VL: Very Low

#	Process	Raw Materials	Production/Manufacturing Process (ENCORE Classification)	Influences												Dependencies																				
				Disturbance (e.g. noise, light pollution)	Use of Freshwater Systems	Climate Change	Use of Marine Systems	Air Pollution	Direct Extraction	Soil Pollution	Solid Waste	Land Conversion	Water Pollution	Water Resources	Invasive Species	Animal Resources	Bioremediation	Buffering/Attenuation of Material Flows	Climate Regulation	Dilution by Air and Ecosystems	Disease Regulation	Fibers and Other Materials	Filtration	Flood and Storm Protection	Genetic Materials	Groundwater	Maintenance of Nursery habitats	Soil Stabilization and Erosion Control	Mediation of Sensory Impacts	Pest Control	Pollination	Soil Quality	Surface Water	Ventilation	Flow Regulation	Water Quality
Upstream																																				
12	Raw Material Procurement	Plant-based	Small-scale Irrigated Agriculture	-	H	-	-	-	-	M	-	VH	H	H	-	VH	M	H	VH	M	VH	M	M	VH	M	VH	-	VH	-	VH	VH	VH	VH	L	VH	VH
13			Small-scale Rainfed Agriculture	-	-	-	-	-	-	M	-	VH	M	-	L	VH	M	H	VH	M	VH	M	M	VH	M	-	-	VH	-	VH	VH	VH	M	L	VH	VL
14			Large-scale Irrigated Agriculture	-	VH	-	-	-	-	H	-	VH	H	VH	-	VL	M	H	H	M	H	M	M	VH	M	VH	-	VH	-	H	H	H	H	L	H	H
15			Large-scale Rainfed Agriculture	-	-	-	-	-	-	H	-	VH	H	-	L	VL	M	H	H	M	H	M	M	VH	M	-	-	VH	-	H	H	H	M	L	H	VL
16		Animal-based	Small-scale Livestock Farming	-	-	VH	-	-	-	M	-	VH	H	H	-	-	M	L	H	L	H	VH	M	VH	VL	VH	-	L	L	M	VL	H	VH	VL	H	VH
17			Large-scale Livestock Farming	-	-	VH	-	-	-	M	-	VH	H	VH	M	-	M	L	M	L	M	VH	M	M	VL	VH	-	L	L	L	VL	H	VH	VL	M	M
18			Aquaculture	-	VH	-	H	-	M	H	-	-	H	-	M	-	M	M	H	M	M	VH	L	H	VL	VL	M	H	-	M	-	VL	M	M	H	H
19			Freshwater Capture Fisheries	-	VH	-	-	-	H	-	-	-	H	-	-	-	-	VH	VH	VL	L	-	-	-	M	-	VH	VL	-	L	-	M	VH	L	-	VH
20			Marine Capture Fisheries	-	-	-	VH	-	H	-	-	-	M	-	-	-	-	M	-	VL	-	-	-	-	M	-	VH	VL	-	L	-	VL	VH	VL	-	VH
21	Production	Food Processing	Processed Beverages and Foods	-	-	VH	-	-	-	M	H	-	M	H	-	-	L	-	-	L	-	-	L	M	-	VH	-	L	-	-	-	VL	VH	-	M	M
22	Logistics	-	Logistics	H	-	VH	M	H	-	L	-	-	L	-	H	-	-	-	H	-	-	-	-	M	-	-	-	M	-	-	-	-	-	-	-	-
Direct Operation																																				
23	Sales	-	Infrastructure Maintenance	-	-	-	-	M	-	H	M	-	H	H	-	-	VL	-	-	-	-	-	-	-	-	-	-	L	-	-	-	-	-	-	-	-

2）Comprehensive Risk Assessment Across the Full Value Chains of Key Raw Materials

Referring to the High Impact Commodity List provided by the Science Based Targets Network (SBTN), we identified five critical raw materials—cotton, wood, paper, palm oil, and coffee—that are closely linked to the main product lines of each of our core businesses. We conducted a comprehensive assessment covering the entire value chains of these commodities, using the ENCORE tool and supplementary literature. Based on these evaluations, we also identified and organized key environmental issues for each material. All five materials were associated with high environmental risks, especially at the stage of raw material production, where common issues included changes to the form or nature of land and pollution caused by pesticides and fertilizers.

1. Key Issues and Assessment Results for Cotton (highlighted in red boxes)

Supply Chain	Environmental Issues	Result
Cultivation	Water use	VH
	Pollution from pesticides and fertilizers	H
	Land-use change due to agricultural expansion	H
	GHG emissions	M
	Invasion of non-native species	M

Supply Chain	Environmental Issues	Result
Spinning, Weaving, Dyeing, and Sewing	Water use, especially in dyeing processes	M
	Air, soil, and water pollution, and waste (especially from dyeing processes)	M

2. Key Issues and Assessment Results for Wood (highlighted in red boxes)

Supply Chain	Environmental Issues	Results
Afforestation	Land-use change due to agricultural expansion	VH
	Pollution from pesticides and fertilizers	VH
	Invasion of non-native species	H
	Water Use	M

Supply Chain	Environmental Issues	Results
Logging	Land-use change due to agricultural expansion	VH
	Wood use	VH
	Pollution from equipment operation	VH
	Decline in GHG absorption	M
	Water use	M
	Invasion of non-native species	M

Supply Chain	Environmental Issues	Results
Sawmilling	Pollution from chemicals and equipment operation	M
	Solid waste generation	M
	GHG emissions	M
	Water use	M

Supply Chain	Environmental Issues	Results
Solid wood, engineered wood, and plywood processing	Pollution from chemicals and equipment operation	M
	Solid waste generation	M
	GHG emissions	M
	Water use	M

3. Key Issues and Assessment Results for Paper (highlighted in red boxes)

Supply Chain	Environmental Issues	Results
Afforestation	Land-use change due to agricultural expansion	VH
	Pollution from pesticides and fertilizers	VH
	Invasion of non-native species	H
	Water Use	M

Supply Chain	Environmental Issues	Results
Logging	Land-use change due to agricultural expansion	VH
	Wood use	VH
	Pollution from equipment operation	VH
	Decline in GHG absorption	M
	Water use	M
	Invasion of non-native species	M

Supply Chain	Environmental Issues	Results
Sawmilling	Pollution from chemicals and equipment operation	M
	Solid waste generation	M
	GHG emissions	M
	Water use	M

Supply Chain	Environmental Issues	Results
Pulp and paper processing	Pollution from chemicals and equipment operation	H
	Solid waste generation	H
	Water use	M
	GHG emissions	M
Printing	Pollution from chemicals and equipment operation	M

4. Key Issues and Assessment Results for Palm Oil (highlighted in red boxes)

Supply Chain	Environmental Issues	Results
Cultivation	Land-use change due to agricultural expansion	H
	Pollution from pesticides and fertilizers	H
	GHG emissions	M
	Water use	H
	Invasion of non-native species	H
Pressing	Water pollution from wastewater	M
	Water use	M
Refining	Non-GHG emissions	M
	Water pollution from wastewater	M
	Water use	M

5. Key Issues and Assessment Results for Coffee (highlighted in red boxes)

Supply Chain	Environmental Issues	Results
Cultivation	Land-use change due to agricultural expansion	H
	Pollution from pesticides and fertilizers	H
	GHG emissions	M
	Water use	H
	Invasion of non-native species	H
Processing	Water and soil pollution from wastewater and waste	M
	Water use	M
Refining and Grinding	Water and soil pollution from wastewater and waste	M
	Water use	M
Finalization	Water pollution from wastewater	M
	Water use	M

3) Assessment of Cotton Using the "Locate" and "Evaluate" Phases of the LEAP Approach

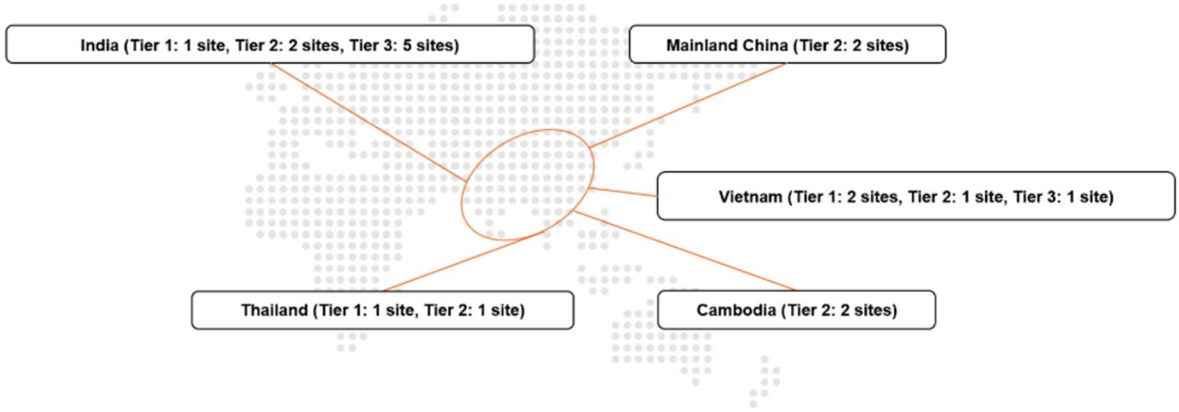
Among the five commodities mentioned above, we conducted an assessment focusing on the "Locate" and "Evaluate" phases of the LEAP approach, which was developed and promoted by the Taskforce on Nature-related Financial Disclosures (TNFD), for upstream supply chain sites (Tiers 1 to 3) related to cotton, a commodity assumed to have particularly significant impacts on our business.

The LEAP approach is an integrated framework for evaluating nature-related issues, including points of interaction with nature, dependencies, and impacts, as well as associated risks and opportunities. It consists of four phases: Locate, Evaluate, Assess, and Prepare.

In the "Locate" phase, companies identify points of interaction between their business activities and nature and determine whether those points are in areas important for biodiversity conservation. The upstream supply chain (Tiers 1 to 3) for MUJI's cotton products extends across South and East Asia, including countries such as Vietnam, India, and Cambodia. For these sites, we conducted a sensitivity assessment to identify those located in ecologically sensitive areas. To determine if these sites are in ecologically sensitive areas, we conducted a sensitivity analysis. Evaluation sites were selected based on two criteria: (1) the proportion of procurement volume they represent, and (2) the geographic diversity and balance of their locations. Based on the weight of cotton managed, the selected sites covered 36% of Tier 1 (sewing factories), 49% of Tier 2 (fabric production), and 46% of Tier 3 (spinning mills).

We assessed five indicators: (1) biodiversity importance, (2) ecosystem integrity (high intactness), (3) ecosystem integrity (rapid decline), (4) importance of ecosystem service provision, and (5) physical water risk. We used the corresponding evaluation tools for each (see notes *1-*5). At all sites assessed, at least one indicator was rated High or above. These findings suggest that our operations both depend on and affect biodiversity and the ecosystem services it provides.

Key Evaluation Sites and Results



No.	Tier	Country	(1) The importance of biodiversity *1	(2) Ecosystem integrity (high integrity) *2	(3) Ecosystem integrity (rapid decline) *3	(4) The importance of ecosystem service provision *4	(5) Physical water risk *5
1	Tier 1	Vietnam	Middle	High	Very High	Middle	High
2	Tier 1	Vietnam	Middle	High	Very High	Middle	High
3	Tier 1	India	Middle	High	Low	High	Very High
4	Tier 1	Cambodia	Middle	High	High	High	Very High
5	Tier 1	Cambodia	Middle	High	High	Very High	Very High
6	Tier 1	Thailand	Middle	Very High	Very High	High	Middle
7	Tier 2	Mainland China	Very low	Very High	Low	Middle	Middle
8	Tier 2	Mainland China	High	High	Low	Low	Very High
9	Tier 2	Vietnam	Middle	Very High	Very High	High	Very High
10	Tier 2	India	Middle	Low	Low	Middle	Very High
11	Tier 2	India	Middle	Very High	Low	Very High	Very High
12	Tier 2	Thailand	Middle	High	Very High	Middle	High
13	Tier 3	Vietnam	Middle	High	Very High	Very High	High
14	Tier 3	India	Very Low	High	Low	High	Very High
15	Tier 3	India	Middle	Very High	Low	Middle	Very High
16	Tier 3	India	Middle	High	Low	High	Very High
17	Tier 3	India	Very Low	High	Low	High	Very High
18	Tier 3	India	High	Very High	Low	Middle	High

In the Evaluate phase, companies reassess the results of the Locate phase by considering their specific business contexts, in order to identify potentially significant dependencies and impacts on nature.

In our case, for Tier 3 sites, although some are located near Ramsar wetlands or may pose water quality risks, the volume and characteristics of wastewater generated during the spinning process suggest that the overall negative impact is limited. In contrast, Tier 2 sites involve dyeing processes that consume more water and are more likely to cause water pollution in surrounding areas. These findings indicate the need for targeted environmental due diligence efforts, including detailed assessments, risk mitigation measures, and monitoring. For Tier 1 sites, while water consumption is lower than Tier 2, those located near Ramsar wetlands, habitats of endangered species, or communities dependent on nearby water resources also require continued environmental due diligence. We plan to conduct further assessments to more precisely identify our dependencies and impacts during the subsequent stages of the LEAP process. *6

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*1: The World Database on Protected Areas (WDPA), Key Biodiversity Areas (KBA), and the IUCN Red List of Threatened Species were used to assess proximity to areas of high conservation value.

*2: The Biodiversity Intactness Index and the IUCN Red List of Ecosystems database were used for evaluation.

*3: The Biodiversity Intactness Index served as the basis for assessment.

*4: ENCORE and LANDMARK were used to evaluate the importance of ecosystem services, including those for Indigenous peoples and local communities.

*5: Aqueduct was used to assess concerns related to water stress and water pollution.

*6: We have completed only phase E1 of the Evaluate step; phases E2 to E4 are yet to be conducted.